

DEPARTMENT OF FOOD AND AGRICULTURE

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December 17, 2002

TO ALL INTERESTED PARTIES:

The Department held an open forum on December 2, 2002 to discuss clarifying questions about three Departmental exhibits released for the January 29, 2003 hearing. The three exhibits pertained to (1) butter/powder yields, (2) plants costs and cheese yields, and (3) California and CME commodity prices. At the forum, several request for additional information were made. This letter is in response to some of those requests.

Butter/Powder Yields

The report on weighted average butter and powder yields released on October 11, 2002, were based on assigning plant losses proportionally to all products in the plants. Below, these yields are compared to those that would have resulted if plant losses were allocated only to butter and powder:

	Weighted Ave. Yields	
	<u>Butter</u>	<u>Powder</u>
Prorated losses	1.218	1.021
Losses only to Butter and Powder	1.211	1.012

Cheese Vat Information

The report on cheese processing costs released on November 25, 2002, included only weighted average cheese vat information for all nine plants combined. Below, vat information is presented for each of the three cost groups:

<u>Group</u>	<u>Number</u>	<u>Vat Fat</u>	<u>Vat SNF</u>	<u>Vat Yield</u>
Low Cost	3	3.94	8.83	10.63
Medium Cost	3	4.04	9.38	11.03
High Cost	3	3.86	8.79	10.66
Total	9	3.95	8.93	10.71

Average Plant Costs

The report on butter, nonfat dry milk and cheese processing costs released on November 25, 2002, included only weighted average costs. Simple average costs in dollars per pound of product for each category and across the three products are given below.

	<u>Powder</u>	<u>Cheese</u>	<u>Butter</u>
Processing Labor	\$0.0583	\$0.0583	\$0.0522
Processing Non-Labor	\$0.1004	\$0.0818	\$0.0566
Package	\$0.0136	\$0.0201	\$0.0093
Other Ingredient	---	\$0.0132	\$0.0031
General & Admin	\$0.0168	\$0.0197	\$0.0163
Return on Investment	\$0.0115	\$0.0083	\$0.0081
Total Cost	\$0.2006	\$0.2013	\$0.1455
Unadjusted Energy			
(7/00 – 12/01)			
Natural Gas	\$0.0464	\$0.0130	\$0.0035
Electricity	\$0.0148	\$0.0094	\$0.0072
Adjusted Energy			
(8/02)			
Natural Gas	\$0.0262	\$0.0074	\$0.0019
Electricity	\$0.0160	\$0.0113	\$0.0080

Plant Energy Rates

The report on energy costs for butter, nonfat dry milk and cheese processing plants released on November 25, 2002, only included the impact of electricity and natural gas rates on processing costs. The attached Table 1 presents a summary of actual electricity and natural gas rates.

Should you have any questions regarding this meeting please contact Eric Erba or Tom Gossard at the phone number listed above.

Sincerely,

David K. Ikari, Chief
Dairy Marketing Branch

Table 1 - ENERGY RATE COMPARISONS

Rates for Los Angeles and San Francisco Consumers and for California Butter/Powder and Cheddar Cheese Plants

NATURAL GAS RATES: Dollars per Therm

	BASE PERIOD 1999 Average	2000 October	2001 August	2001 December	2002 August
PLANT MEDIAN	\$0.304	\$0.631	\$0.690	\$0.606	\$0.558
NUMBER OF PLANTS	15	16	16	11	16
HIGH	\$0.488	\$0.798	\$1.205	\$0.827	\$1.186
LOW	\$0.228	\$0.417	\$0.293	\$0.263	\$0.307
BLS - CPI - LA	\$0.636	\$1.039	\$0.774	\$0.646	\$0.820
BLS - CPI - SF	\$0.638	\$1.045	\$0.829	\$0.784	\$0.759

ELECTRICITY RATES: Dollars per kW-hr

	BASE PERIOD 1999 Average	2000 October	2001 August	2001 December	2002 August
PLANT MEDIAN	\$0.068	\$0.065	\$0.123	\$0.069	\$0.087
NUMBER OF PLANTS	17	17	18	12	17
HIGH	\$0.086	\$0.098	\$0.179	\$0.119	\$0.149
LOW	\$0.044	\$0.037	\$0.044	\$0.035	\$0.044
BLS - CPI - LA	\$0.116	\$0.116	\$0.175	\$0.179	\$0.179
BLS - CPI - SF	\$0.115	\$0.115	\$0.168	\$0.160	\$0.162

Consumers Rates are from the Bureau of Labor Statistics - Consumer Price Index
Plant Rates are from CDFA - Dairy Marketing Branch